

The Honorable Brian D. Lynch  
Hearing Date: January 29, 2020  
Hearing Time: 9:00 A.M.  
Hearing Location: Union Station, Tacoma, Courtroom I  
Response Date: January 22, 2020

UNITED STATES BANKRUPTCY COURT  
WESTERN DISTRICT OF WASHINGTON

In re

Case No. 18-41324-BDL

## PUGLIA ENGINEERING, INC.,

FIRST AND FINAL APPLICATION OF  
THE TRACY LAW GROUP PLLC FOR  
COMPENSATION OF ATTORNEYS'  
FEES AND REIMBURSEMENT OF  
COSTS

Pursuant to 11 U.S.C. §330 and Local Bankruptcy Rule 2016-1, The Tracy Law Group PLLC (“TTLG”) hereby applies for compensation for services rendered and costs related thereto for the period of April 18, 2018, the day subsequent to the date that TTLG’s employment was approved, through March 28, 2019, the date that the above-captioned case was converted to Chapter 7 (the “Application”). As set forth in this Application and in the billing invoices submitted concurrently herewith, for this time period, TTLG applies for compensation of fees in the amount of \$52,803.50, and reimbursement of costs and expenses in the amount of \$1,411.90, for a total amount of \$54,215.40.<sup>1</sup> Of these amounts, TTLG has already received payment of \$31,026.80 in fees and reimbursement of \$1,250.91 in costs pursuant to this Court’s Order Approving

<sup>1</sup> TTLG was permitted to reimbursement of the \$1,717 filing fee that it advanced on behalf of San Francisco Ship Repair, Inc. from funds that it was holding in its trust account paid by a third-party, Puglia Engineering of California, Inc.*Dkt.* # 242. As the payment of these costs was already approved they are not set forth in the present Application.

1           Interim Payment Procedures (“Interim Payment Procedures Order”) (*Dkt. No. 345*), leaving a  
2           balance of \$21,776.67 in fees and \$160.99 in costs remaining to be paid once approved.  
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5           Attached hereto as **Exhibit A** is a detailed time listing sorted by task code covering the  
6           time period addressed in this Application. Additionally, attached hereto as **Exhibit B** is a copy of  
7           an accounting ledger showing the costs and expenses TTLG incurred during this time period  
8           which also shows the disbursements TTLG previously received pursuant to the Interim Payment  
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10          Procedures Order.  
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14          In further support of this Application, TTLG respectfully represents as follows:  
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## 17           I.       PERTINENT BACKGROUND FACTS 18

19          Prior to being converted, this case was formerly a Chapter 11 case that was jointly  
20          administered with the case of Puglia’s wholly owned subsidiary, San Francisco Ship Repair, Inc.  
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22          (“SFSR”), Case No. 18-41350-BDL. *See Order Directing Joint Administration of Chapter 11 Cases*  
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24          *Pursuant to FRBP 1015(b), Dkt. #62.*  
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27          SFSR filed a voluntary chapter 11 bankruptcy petition on April 17, 2018 (the  
28          “Petition Date”). TTLG represented SFSR in its chapter 11 case. SFSR is not operating and  
29          was not in operation at any time during its chapter 11 bankruptcy case. SFSR’s chapter 11  
30          filing was mandated by that certain Settlement Agreement by and between the Puglia Parties  
31          and the BAE Parties (as those respective parties are defined in the Settlement Agreement)  
32          (the “Settlement Agreement”). *See Order Granting Motions for Order Approving Compromise and*  
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34          *Settlement Pursuant to Bankruptcy Rule 9019, Dkt. #239.*  
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37          At a hearing on several different motions held on July 19, 2018, it was established  
38          that TTLG was considered to be a professional who should be paid by Puglia due to the  
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41          FINAL APPLICATION OF THE TRACY LAW GROUP  
42          PLLC FOR COMPENSATION OF ATTORNEYS’ FEES  
43          AND REIMBURSEMENT OF COSTS - 2  
44

45          THE **TRACY LAW GROUP**, PLLC  
46          1601 Fifth Ave, Suite 610  
47          Seattle, WA 98101  
48          206-624-9894 phone / 206-624-8598 fax

1 terms of the aforementioned Settlement Agreement and the joint administration of the two  
2 cases. It was also established that TTLG was to be paid by Puglia on an interim basis  
3 pursuant to the aforementioned Interim Payment Procedures Order, subject in part to the  
4 budget that SFSR's counsel submitted (*Dkt. #297*). The rationale behind these  
5 determinations was that since the Settlement Agreement required SFSR to file and prosecute  
6 its own Chapter 11 bankruptcy case, and SFSR had no funds to do so on its own, efforts  
7 expelled on behalf of SFSR were necessary for Puglia as well. *See Docket #323, Audio*  
8 *Recording of 7/19/18 Hearing at approximately 44:37-47:04, 52:57-54:17, 59:16 – 59:43.*

## II. APPLICATION

1. **Order Authorizing Employment.** TTLG's employment as SFSR's Chapter 11  
2 counsel was approved by this Court effective April 17, 2018. *See Docket # 242.*

2. **Statement Regarding Prior Fee Applications.** TTLG has not filed any  
3 previous fee applications. As noted above, TTLG has already been paid \$32,277.71 pursuant to the  
4 Interim Payment Procedures Order. This Application seeks final approval of those payments and  
5 approval of payment of the remaining of TTLG's remaining \$21,937.66 in fees and costs.

3. **Other Professionals Employed.** In addition to TTLG, the Court authorized  
4 the employment of the following professionals in the jointly administered chapter 11 cases:

Professional	Representing	Role	Approval Date	Docket No.
Bush Kornfield LLP	Puglia	Bankruptcy Counsel	5/15/18	149
CKR LLP	UCC	Lead Counsel	8/2/18	344
Commenda Asset Resolution Partners, LLC	Puglia	Investment Banker	2/15/19	524
DBS Law	Committee	Local Counsel	5/31/18	219
Larson Gross PLLC	Puglia and SFSR	Accountants	7/16/18 and 11/6/18 respectively	312
McKool Smith	UCC	Litigation Counsel	7/26/18	333
Orse and Co.	Puglia	Financial Advisor	7/20/18	324
Seyfarth Shaw	SFSR	Special Counsel	2/14/19	522

FINAL APPLICATION OF THE TRACY LAW GROUP  
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1	Thomas Barnett &	Puglia	Special Counsel for	8/17/18	355
2	McDonald PC		ERISA matters		

4           **Source of Payment and History of Funds in Trust Account.** TTLG is  
 5 holding \$0 in its trust account. The only funds that TTLG held in trust in this matter was the  
 6 aforementioned \$1,717 filing fee that TTLG advanced on behalf of SFSR, which was repaid by a  
 7 third-party, Puglia Engineering of California, Inc., and which was briefly held in trust prior to  
 8 TTLG reimbursing itself.  
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10           Per the Chapter 7 Trustee Counsel's Response to CKR Law LLP, DBS Law, Bush  
 11 Kornfield LLP, Orse & Company, Devitt D. Barnett, and Larson Gross PLLC's First and Final  
 12 Applications for Compensation, TTLG understands that the Chapter 7 Trustee and its counsel  
 13 successfully mediated a resolution of the estate's claims against the former directors and officers of  
 14 Puglia in the approximate amount of \$855,000. *Dkt. #817*. TTLG expects to be paid from these  
 15 funds or from otherwise unencumbered funds of the estate to the extent they are available.  
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17           **5. Narrative Summary of Professional Services Provided, Results Obtained,  
 18 and Benefit.**

19           Pursuant to Local Bankruptcy Rule 2016, the services performed on behalf of the  
 20 Debtors have been divided into general categories of 'tasks' which are set forth in detail on  
 21 Exhibit A submitted concurrently herewith. These general categories of service, with the  
 22 amount of fees and hours of attorney time allocated to each, are as follows:  
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24           **Case Administration.** Fees in this category relate to a number of different areas related  
 25 to the administration of SFSR's bankruptcy case during the nearly one year period covered by  
 26 this Application.  
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1           This includes but is not limited to time expended: reviewing the Settlement Agreement;  
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3           drafting the necessary pleadings such that approval of the Settlement Agreement could be  
4           considered by the Court on shortened time; participating in the first day hearings in the case;  
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6           editing and amending SFSR's schedules<sup>2</sup>; preparing SFSR for its Initial Debtor Interview and  
7  
8           Meeting of Creditors and attending the same; reviewing, redacting and finalizing each of SFSR's  
9           monthly financial reports; responding to numerous creditor queries throughout the case;  
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11           preparing claims bar date and case management pleadings; preparing joint administration  
12           pleadings; communicating throughout the case with third party counsel about over twenty  
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14           lawsuits pending against SFSR under the Longshore Act as well as in state court, about  
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16           insurance coverage, the scope of the stay, and providing information about the bankruptcy  
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18           process; and monitoring the Puglia bankruptcy case and responding as necessary (such as to  
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20           Puglia's motion for approval of its disclosure statement, and to the motions to convert or  
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22           dismiss Puglia's case).  
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30           Approximately \$26,803.50 in fees and 96.6 hours of legal services are attributable to this  
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32           category.  
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35           Asset Analysis and Recovery. The small amount of fees in this category relate to the  
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37           drafting of 2004 exam pleadings intended to file to assist SFSR in better ascertaining the  
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39           amount of its claim against Puglia. After indicating its intent to file such pleadings, Puglia agreed  
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41           to voluntarily provide SFSR with the financial information it sought to the best of its ability so  
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43           filing such pleadings became unnecessary.  
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<sup>2</sup> Upon the request of the United States Trustee, TTLG wrote off its fees incurred preparing SFSR's schedules on an emergency basis so that it would meet the disinterestedness standard imposed by existing Ninth Circuit case law.

Approximately \$650.00 in fees and 2.0 hours of legal services are attributable to this category.

Asset Disposition. The small amount of fees in this category relate to the sale and/or other disposition of property of the estate. Specifically, they relate to time spent communicating with Commenda, the investment banker employed by Puglia, regarding its efforts to sell Puglia.

Approximately \$162.50 in fees and .5 hours of legal services are attributable to this category.

Relief from Stay/ Adequate Protection. Fees in this category relate to issues involving the automatic stay and adequate protection.

As mentioned above, post-petition, it was discovered that SFSR was involved in over 20 lawsuits. Some proceeding under the Longshore Act, and some proceeding under state law tort theories. TTLG spent a great deal of time discussing how the automatic stay affected these proceedings, both in terms of staying prosecution against SFSR and in terms of allowing SFSR to continue to conduct discovery to defend itself. Some communications with these attorneys were attributed to the ‘Case Management’ category but those communications more specifically involving the automatic stay were attributed to this category instead. Fees in this category also related to negotiating agreed stipulated orders granting certain plaintiffs relief from stay where there was third party insurance coverage and SFSR would not be responsible for paying any judgment ultimately awarded against it or legal fees incurred in defending such proceedings.

Approximately \$4,550.00 in fees and 14.0 hours of legal services are attributable to this category.

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1           Fee Applications/ Objections. Fees in this category relate to preparing fee applications,  
2 related documents, responding to objections to fee applications, and objecting to excessive fees  
3 of other professionals as appropriate.  
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5           This category of fees includes but is not limited to time expended: preparing a budget  
6 for TTLG's expected fees to be incurred throughout the case, briefly reviewing the fee  
7 applications of other professionals, preparing fee requests pursuant to the *Knudsen* order entered  
8 in this case (Dkt. #345), and answering questions from the UCC regarding such requests.  
9

10          Approximately \$2,957.50 in fees and 9.1 hours of legal services are attributable to this  
11 category.  
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13          Employment Application/ Objection. Fees in this category relate to employment  
14 applications and objections thereto.  
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16          This category of fees includes but is not limited to time expended: drafting TTLG's  
17 employment application; briefly researching the 'disinteredness' standard of § 327 in the context  
18 of emergency filings under existing Ninth Circuit jurisprudence; editing TTLG's employment  
19 application pursuant to certain changes requested by the United States Trustee; reviewing the  
20 UCC's employment applications for out-of-state counsel; drafting an objection to the proposed  
21 terms of McCool Smith and CKR's employment; responding to the UCC's objection to SFSR's  
22 employment terms; preparing employment application to allow SFSR to employ an accountant  
23 to prepare necessary tax returns; attending hearing on the employment terms of multiple  
24 professionals; and preparing employment applications to allow SFSR to employ counsel to  
25 defend it against certain tort lawsuits proceeding against it that were covered by SFSR's  
26 insurance and/or indemnity policies.  
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Approximately \$7,085.00 in fees and 21.8 hours of legal services are attributable to this category.

Financing/ Cash Collateral. The small amount of fees in this category relate to time that TTLG expended reviewing Puglia's cash collateral pleadings as SFSR was one of the larger unsecured creditors in Puglia's case and as TTLG was a professional to be compensated from the professional fund established by Puglia.

Approximately \$292.50 in fees and .9 hours of legal services are attributable to this category.

Claims Administration and Objections. The fees in this category relate to administering and objecting to the claims against SFSR, as well as to time that TTLG expended reviewing accounting information to better ascertain the amount of its claim against Puglia.

Approximately \$3,932.50 in fees and 12.1 hours of legal services are attributable to this category.

Plan and Disclosure Statement. The small amount of fees in this category relate to reviewing Puglia's disclosure statement and plan, preparing an objection to Puglia's disclosure statement, reviewing multiple objections thereto, communicating with Puglia's counsel regarding its sale efforts, communicating with outside counsel regarding the status of the case and how plan approval may impact third party litigation, and participating in the hearing on approval of Puglia's disclosure statement.

Approximately \$1,690.00 in fees and 5.2 hours of legal services are attributable to this category.

1           Bankruptcy Litigation. Fees in this category relate to litigation issues that arose in  
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3 SFSR's case.  
4

5           This category of fees includes but is not limited to time expended: reviewing the UCC  
6 litigation counsel's objection to the Settlement Agreement and stated intention to potentially  
7 continue litigating issues resolved therein; communicating with BAE regarding litigation against  
8 SFSR; communications with outside counsel re; pending litigation of tort claims and claims  
9 under the Longshore Act and payment of litigation fees by third parties<sup>3</sup>; briefly researching the  
10 prudence of initiating litigation to prosecute SFSR's claim against Puglia and communicating  
11 with Puglia's counsel regarding the same; and communicating with SFSR regarding the  
12 availability of records available to produce in on-going litigation and the need to possibly testify  
13 in certain cases.  
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16           Approximately \$4,680.00 in fees and 14.4 hours of legal services are attributable to this  
17 category.  
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19           7.        Rates Charged. All of the services billed in connection with this matter were  
20  
21 billed at rates equal to TTLG's normal hourly rates as follows:  
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<u>Name</u>	<u>Hourly Rate</u>
J. Todd Tracy	\$475
Steven J. Reilly	\$325
Jamie McFarlane	\$360
Meredith Tracy	\$125

44           3 As noted elsewhere, some of the fees that TTLG incurred communicating with SFSR's counsel defending  
45 it against the aforementioned tort lawsuits and lawsuits under the Longshore Act were attributed to the  
46 'Case Management' category, some were attributed to the 'Relief from Stay/Adequate Protection' category,  
47 and some were attributed to the 'Bankruptcy Litigation' category. TTLG attempted to separate the fees  
expended into the appropriate category but many times the fees could have been attributed to multiple  
categories. TTLG used its best judgment in separately classifying them as set forth herein.

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3       The normal hourly rates charged by TTLG are consistent with or less than other  
4       attorneys of equal experience in Seattle. No agreement or understanding exists between TTLG  
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6       and any other person for the sharing of compensation received or to be received for services  
7       rendered in, or in connection with this case.  
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12       8.       Financial Condition of the Estate. TTLG is not aware of the financial  
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14       condition of Puglia's estate except that the Chapter 7 Trustee's 'Response and Limited  
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16       Objection to the Applications for Compensation Filed by CKR Law, LLP, DBS Law, Bush  
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18       Kornfield LLP, Orse & Company, Devitt D. Barnett, and Larson Gross PLLC's First and  
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20       Final Application for Compensation' indicates that the Chapter 7 Trustee successfully  
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22       mediated a resolution of the Puglia estate's claims against the former directors and officers of  
23  
24       Puglia, and expects to receive \$855,000 in settlement of these claims, subject to bankruptcy  
25  
26       approval of such resolution.  
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30       9.       Status and Progress of Case and Estimated Future Fees and Expenses.  
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32       On March 20, 2019, David Stapleton was appointed as Chapter 11 Trustee in Puglia's  
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34       case. *Dkt. # 587.* On March 28, 2019, Puglia's bankruptcy case was converted to chapter 7, at  
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36       which point it was no longer jointly administered with SFSR's chapter 11 case. *Dkt. # 625.* On  
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38       March 28, 2019, SFSR's case was also converted to chapter 7. *Case No. 18-41350, Dkt. #72.*  
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40       The following day, Brian Budsberg was appointed Chapter 7 Trustee in SFSR's bankruptcy  
41  
42       case. *Case No. 18-41350, Dkt. #71.* Accordingly, TTLG does not have knowledge of the  
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44       status and progress of Puglia or SFSR's respective bankruptcy cases.  
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**10. Conclusion.** The Application, as discussed above, requests reasonable compensation for actual and necessary services rendered by TTLG. In our independent judgment, the fees and costs are fair. The rates charged are reasonable for the level of service provided. The application is based on the nature, the extent, and the value of the services performed, time spent on such services, and the cost of comparable services other than in a case under Title 11 of the United States Code. The request for reimbursement of costs is for actual and necessary expenses that were incurred for the benefit of Puglia's bankruptcy estate as the Settlement Agreement mandated that SFSR file its own separate chapter 11 case, and approval of the Settlement Agreement was the only means by which Puglia could realistically seek to reorganize or be liquidated under chapter 11. Therefore, pursuant to 11 U.S.C. § 330, the application for compensation in the amount of \$52,803.50, and reimbursement of costs in the amount of \$1,411.90, for a total amount of \$54,215.40, should be approved.

DATED this 8th day of January 2020.

THE TRACY LAW GROUP PLLC

By /s/ Steven J. Reilly  
J. Todd Tracy, WSBA #17342  
Steven J. Reilly, WSBA #44306  
Attorneys for San Francisco Ship Repair, Inc.

## **DECLARATION IN SUPPORT**

I am an attorney at the Tracy Law Group PLLC and am the primary attorney responsible for the representation of San Francisco Ship Repair, Inc. in the above-captioned, previously jointly administered bankruptcy proceedings. I have personal knowledge of the

**FINAL APPLICATION OF THE TRACY LAW GROUP  
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1 facts stated herein, and am competent to testify to them. I make this declaration in  
2  
3 conformance with applicable sections of the Bankruptcy Code and Rules, as well as in  
4  
5 accordance with LBR 2016.  
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7 I declare under penalty of perjury that to the best of my knowledge the foregoing is  
8  
9 true and correct.  
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11  
12 Dated this 8<sup>th</sup> day of January, 2020.  
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15 /s/ Steven J. Reilly  
16 Steven J. Reilly  
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